



**DEFENSE LOGISTICS AGENCY**  
**THE DEFENSE CONTRACT MANAGEMENT COMMAND**  
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APR 22 1997

IN REPLY  
REFER TO

AQOC

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS**

**SUBJECT: DCMC Memorandum No. 97-45, Reviews of Contractor Operations (POLICY)**

This is a POLICY memorandum. It expires when content is included in DLAD 5000.4, Contract Management (One Book), not to exceed one year. Target Audience: All Contract Administration Offices.

Management Councils are the way we want to approach all issues that have significant impact on the Government's relationship with contractors. This memorandum provides policy on seeking Management Council input on reviews of contractor operations. There are many reviews where Administrative Contracting Officers (ACOs) exercise discretion on the frequency and level of reviews, such as material management and accounting systems, purchasing, insurance and pension, cost estimating, overhead should cost and property control. To the extent permitted by the Federal Acquisition Regulation (FAR) and the Defense FAR Supplement (DFARS), we should include contractor and customer input in decisions to perform or postpone these reviews.

ACOs are encouraged to seek input from members of the Management Council as part of the deliberative process when deciding to perform or postpone a review. Here's why -- these decisions are based on the risk to the Government and its contracts and programs with the contractor. ACOs need to recognize that all stakeholders have different insights and these insights can be invaluable in making good decisions for the DoD. For example, we included Management Council input in our performance based assessment process because it gave us intelligence and insights we didn't have internally and, in many cases, changed our opinion on an issue. These same insights can assist us in making better decisions on reviews.

The establishment and operation of a Management Council does not affect the legal or contractual relationship of the parties. Management Councils shall not be used to alter, supplement or deviate from the terms of the contract or FAR/DFARS requirements. Any changes in the contract must be executed in writing by a contracting officer. More importantly, ACOs retain their decision making authority.

Questions regarding this memorandum may be referred to Mr. Syd Pope at (703) 767-3380, DSN 427-3380, or via the internet at [sydney\\_pope@hq.dla.mil](mailto:sydney_pope@hq.dla.mil).

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